

Memorandum



City Manager's Office

Date: February 19, 2015
To: Mayor and Councilmembers
From: Ken Jones, Deputy City Manager, CFO
Through: Andrew Ching, City Manager
Subject: Long-Range Financial Forecast Update

The Municipal Budget Office prepares two comprehensive annual Long-Range Financial Forecasts. The first, or Fall, forecast sets the tone for the development of the budget process in October. The second, or Spring, forecast provides a long-term view of how current-year budget decisions will impact the City's future finances. This is consistent with the City Council's stated priority of long-term financial sustainability. Historically, the first forecast update was developed as a result of economic challenges and the need to elicit City Council direction very early in the budget cycle to prioritize and implement significant changes. This second update, included with this memo, to be presented during your February 19th Work Study Session, is intended to provide the City Council with the most recent economic information and indicate whether financial strategies need to be adjusted, based on updated projections.

I will cover the General Fund in some detail during this update and provide an overview of the status of the other operating funds.

General Economic Conditions and Projections

Since the last long-range financial forecast in October, economic outlooks have softened slightly in most regional and statewide projections. Retail sales projections are still projected to improve, but are slightly weaker in most recent studies than they were in October. However, Tempe's economy is currently outperforming the forecasts for state and regional growth. We are projecting that Tempe's retail and development activity will continue to outperform our surrounding cities for the rest of the current fiscal year and into next fiscal year.

Overall, our five-year forecast for local revenues is better than our October projections. Following the expiration of the temporary sales tax in June, there is no need for budget reductions and the plan to restrict compensation growth has provided the desired results, to this point. However, there have been two significant changes to the General Fund Forecast since October. We had forecasted a \$1.1 million increase to the City's contribution to the Public Safety Personnel Retirement System (PSPRS) for next fiscal year, based on projections provided by PSPRS. We recently learned that our contribution for fiscal year 2015-16 is now estimated to increase by \$4.2 million (from \$14.1 million to \$18.3 million), with continuing increases projected for several years. This significant funding requirement will impact the projected compensation growth that we showed you in October. City contributions to the Arizona State Retirement System (ASRS) will decrease slightly next year (remaining around \$7.8 million).

On a more positive note, we received the results of our most recent actuarial report for the City's Other Post-employment Benefits (OPEB) obligation, and our required contribution for the current year and next fiscal year have been reduced by approximately \$4 million (\$3.2 million in the

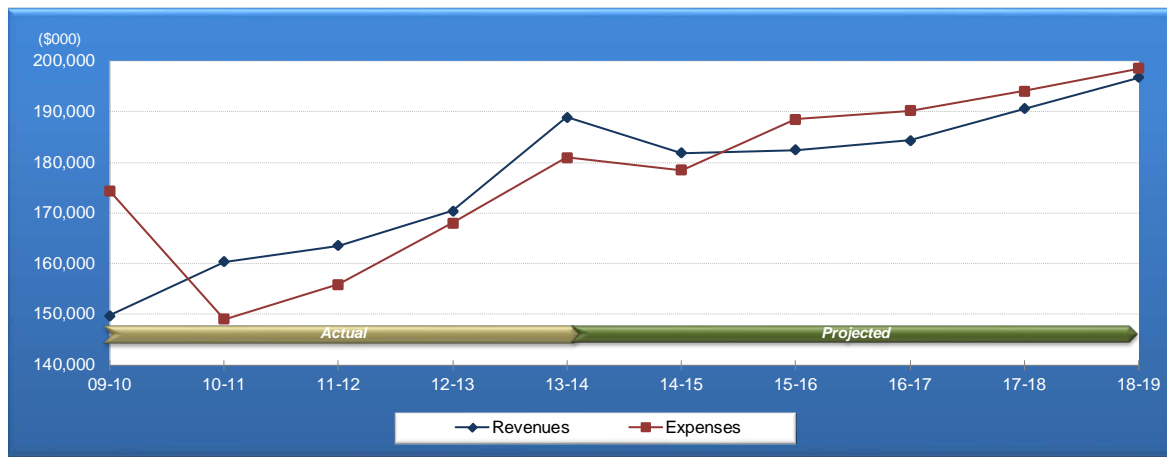
General Fund). As you recall, the OPEB obligation is related to the City's retiree healthcare plan. The effect of changing from a defined-benefit plan to a defined-contribution plan for all new employees and employees with less than ten years of service as of 2009, combined with the decision to make annual contributions to an irrevocable trust fund to address the liability, has significantly reduced the City's annual required contribution (ARC).

There are several issues that pose potential threats to the City's budget, but are not currently built-into our forecast. The combined magnitude of these issues and the fact that they are not controllable by the City should lead to a slightly more conservative budgeting approach:

- 1) Although the Governor has proposed reductions to State-shared sales taxes, no legislation has been approved and no adjustments have been made to our revenue forecast.
- 2) Legislation has been introduced, but not approved, to phase-out residential rental taxes.
- 3) The State Department of Revenue has taken over sales tax audits and will take over all remaining sales tax administration in January 2016. The forecast does not anticipate any negative impact on revenues, but we have concerns about the State maintaining our current levels of audit assessments and revenue collections.
- 4) No economic downturns are anticipated in the five-year forecast.

On the following pages, I will comment on any significant changes to the forecasts of the City's operating funds. Throughout this document dollar amounts are expressed in thousands of dollars, so add three zeros.

General Fund

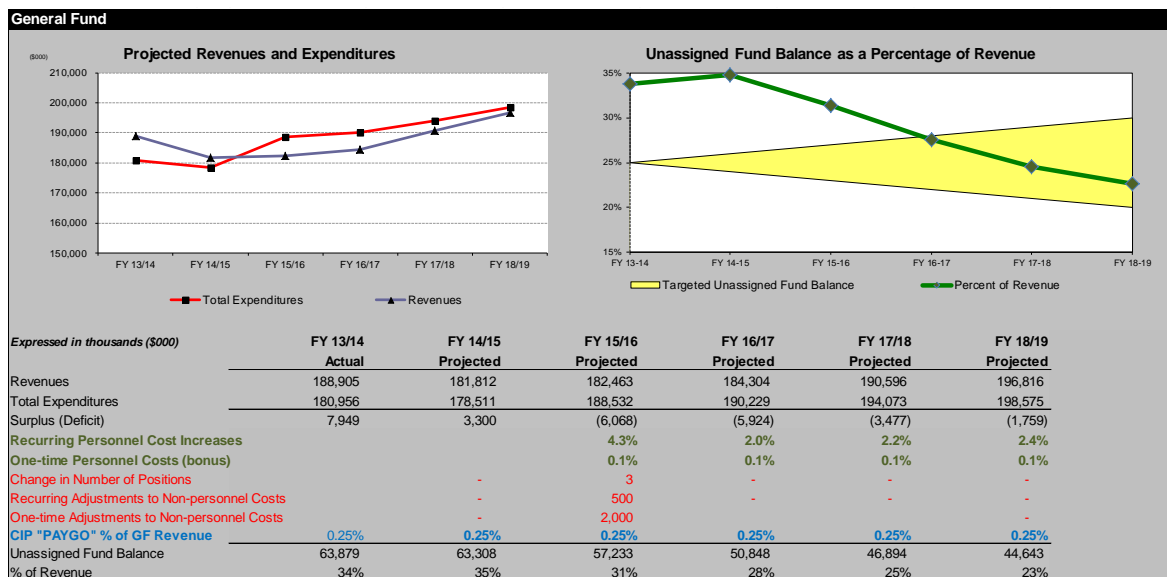


	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Projected	15/16 Projected	16/17 Projected	17/18 Projected	18/19 Projected
Revenues (\$000)										
Local Taxes	81,443	94,255	100,706	103,904	111,874	105,178	108,302	109,788	113,790	117,725
Intergovernmental	39,134	34,219	31,723	34,921	38,155	39,781	40,295	40,013	41,233	42,799
Bldg & Trades/Plan & Zoning	4,633	3,918	5,489	5,183	10,495	8,295	4,497	4,567	4,649	4,744
Cultural and Recreation	5,443	5,781	6,053	6,386	6,462	6,287	6,413	6,525	6,656	6,806
Fines, Fees and Forfeitures	7,109	7,576	7,732	8,132	8,190	8,143	8,306	8,451	8,620	8,814
Business Licenses	1,538	1,573	1,651	1,714	1,703	1,461	1,411	1,433	1,459	1,489
Interest Income	1,900	915	549	457	356	450	722	1,001	1,256	1,764
Franchise Fees	3,560	3,821	3,459	3,253	3,311	3,456	3,518	3,572	3,637	3,711
Other Revenue Sources	4,909	8,304	6,181	6,495	8,360	8,761	8,999	8,954	9,296	8,963
Total Revenues	149,669	160,362	163,542	170,445	188,905	181,812	182,463	184,304	190,596	196,816
Expenditures (\$000)										
Personnel Costs	146,038	120,302	124,440	134,594	143,609	144,068	150,745	153,740	157,082	160,787
Materials and Supplies	7,940	8,092	9,567	10,413	8,896	8,397	8,150	8,234	8,380	8,574
Fees and Services	21,746	19,708	24,211	22,471	28,423	26,120	26,926	27,342	27,935	28,475
Travel and Training	385	219	371	307	337	500	508	516	525	536
Non-Deprtm/Loan Repayment	2,537	2,429	2,118	2,126	2,192	2,349	2,391	2,428	2,472	2,522
Capital Outlay	2,140	1,691	1,472	1,572	1,500	2,830	3,101	3,236	2,948	3,009
Community Facilities District	(1,468)	-	(493)	(138)	134	(43)	(240)	(247)	(254)	(262)
Special Assessments	-	-	-	2,064	1,004	1,004	1,004	1,004	1,004	1,004
Transportation Mnctce of Effort	761	1,096	701	1,204	626	1,030	1,030	1,030	1,030	1,030
Tourism and Convention Bureau	1,500	2,000	2,060	2,102	2,130	2,160	2,196	2,227	2,263	2,304
Internal Services/Adjustments	(7,141)	(6,523)	(8,541)	(8,701)	(7,895)	(9,903)	(9,780)	(9,781)	(9,811)	(9,904)
Total Expenditures	174,439	149,014	155,906	168,013	180,956	178,511	188,532	190,229	194,073	198,575
Net Operating Surplus/(Deficit)	(24,771)	11,348	7,637	2,432	7,949	3,300	(6,068)	(5,924)	(3,477)	(1,759)
Interfund Transfers					5,326					
Change to Assignment of Fund Balance					(2,055)	(3,450)	450			
Capital Improvements Reserve						(421)	(456)	(461)	(476)	(492)
Unassigned Fund Balance		41,884	50,955	52,659	63,879	63,308	57,233	50,848	46,894	44,643
Unassigned Fund Balance % of Revenue		26%	31%	31%	34%	35%	31%	28%	25%	23%

The figure above provides detail for line-item budget accounts. The figure on the following page is a snapshot of our interactive budgeting model; populated with "sample" budget decisions:

- 1) Projected growth in compensation by approximately 4.4% next year and 2.1% to 2.5% in subsequent years. This represents the cost of contributions to retirement systems, salary step increases included in current MOU's, 3% step increases for employee groups whose MOU's expire June 30, 2015, no market adjustments to the salary ranges and a 2.3% increase to the City's cost for health/dental/life insurance plans.
- 2) Three new positions added to the General Fund in 2015-16;
- 3) \$500,000 in recurring non-personnel costs and \$2 million in non-recurring costs added to the General Fund in 2015-16 to address the most critical supplemental budget requests.

The planned deficits throughout the forecast would result in a measured spend-down of fund balance that would enable the City to maintain current service levels while maintaining an unassigned fund balance within policy levels of 20% and 30% of annual revenue. The projected growth is not a recommendation by management at this point, but an example to demonstrate how projected resources could be allocated in future years and still comply with the fund balance policy. The graph on the right side of the figure shows how the unassigned fund balance stays above the policy minimum of 20% throughout the forecast period, as required by policy. We expect this General Fund forecast to change, slightly, by the time the City Manager presents his proposed budget in April, based on input from the City Council and further analysis of departmental needs.



This forecast for the General Fund shows improved fund balance projections for the current year for the following reasons:

Revenues

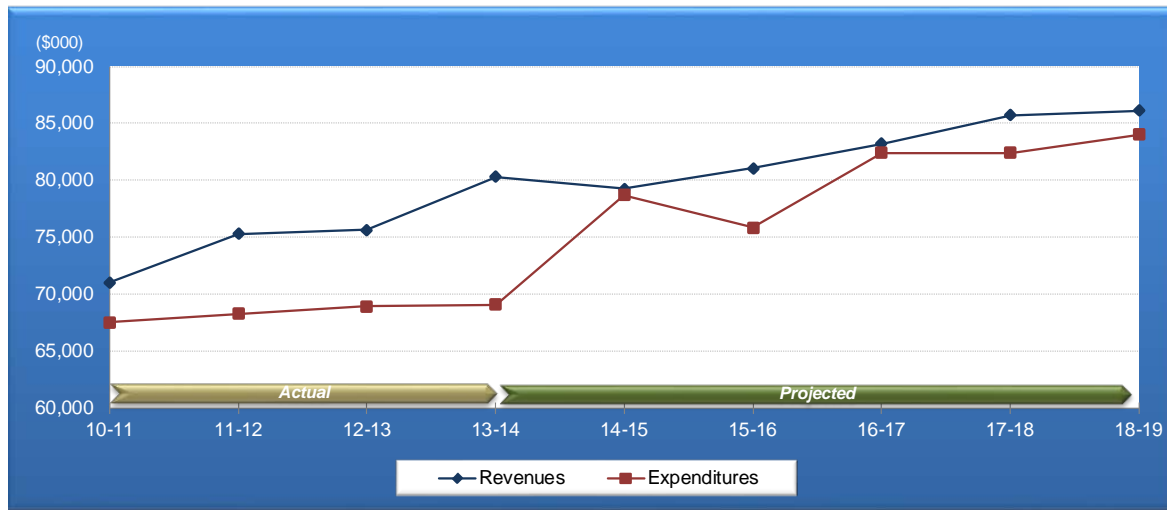
1. Taxable sales in FY 2014-15 are expected to exceed what was projected in October.
2. Building, planning & engineering permit fees are exceeding projections, mostly due to the very aggressive building schedules of current developments. FY 2014-15 development-related revenues are expected to be \$2.5 million above the October forecast.
3. Revenues from cultural & recreational fees are projected to be \$700,000 above October's forecast for FY 2014-15.

Item #2 above contributed greatly to the larger fund balance at the end of fiscal year 2014-15, but is assumed to be non-recurring. The other factors have contributed to moderately improved revenue forecasts going forward.

Expenditures

4. Departments continue to exercise restraint and underspend their budgets wherever possible. In addition, lower than anticipated fuel costs have resulted in additional savings.
5. The OPEB expense for FY 2014-15 was reduced by a recurring savings of \$3.2 million in the General Fund, based on an updated actuarial analysis and report.
6. Healthcare costs for 2015-16 are projected to be \$575,000 lower than the October forecast.

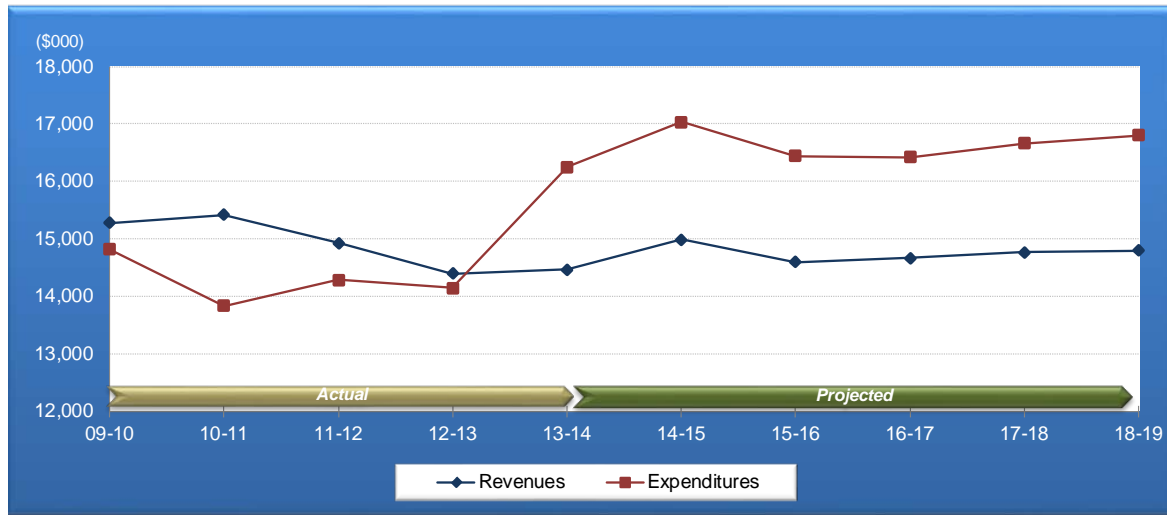
Water/Wastewater Enterprise Fund



	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Projected	15/16 Projected	16/17 Projected	17/18 Projected	18/19 Projected
Revenues (\$000)										
Charges for Service-Water	32,813	35,796	40,242	42,304	45,425	47,612	48,785	49,958	51,437	51,539
Charges for Service-Wastewater	27,512	33,322	32,277	31,941	32,599	30,740	31,522	32,278	32,924	32,990
Interest Income	789	562	267	228	257	308	631	887	1,227	1,449
Land and Facility Rental	520	509	520	520	520	520	-	-	-	-
Loan Repayment	41	21	-	-	-	-	-	-	-	-
Other Miscellaneous Revenue	105	787	1,979	662	1,491	70	132	110	127	127
Total Revenues	61,781	70,998	75,284	75,655	80,292	79,250	81,071	83,233	85,715	86,105
Expenditures (\$000)										
Personnel Costs	17,686	14,241	14,588	15,559	15,384	14,170	14,638	14,788	15,022	15,006
Materials and Supplies	3,799	4,038	4,660	4,962	3,757	6,161	6,362	5,927	6,034	6,142
Fees and Services	12,497	13,260	12,103	11,009	11,737	14,029	14,333	14,712	15,102	15,504
Travel and Training	122	92	76	52	52	173	176	179	182	185
Debt Service	28,940	31,995	32,694	33,199	33,732	34,634	34,211	37,775	39,464	40,452
Transfers to CIP	448	436	430	223	214	2,836	454	3,374	901	980
Internal Service Charges	2,215	1,575	1,724	1,812	1,970	3,264	3,240	3,241	3,250	3,281
Indirect Cost Allocations	2,146	1,853	1,985	2,104	2,239	2,450	2,432	2,432	2,440	2,463
Contingency	-	-	-	-	-	1,000	-	-	-	-
Total Expenditures	67,853	67,491	68,260	68,920	69,086	78,714	75,845	82,428	82,394	84,013
Net Operating Surplus/(Deficit)	(6,072)	3,507	7,024	6,735	11,206	536	5,226	806	3,321	2,093
Unassigned Fund Balance	34,403	39,687	46,750	54,006	65,211	65,747	70,973	71,779	75,099	77,192
Unassigned Fund Balance as a % of Revenue					81%	83%	88%	86%	88%	90%

The Water/Wastewater Fund is stable. The forecast assumes continued rate studies to update the approved rate modification plan. The most recent rate increases were significantly lower than what had been projected in the plan.

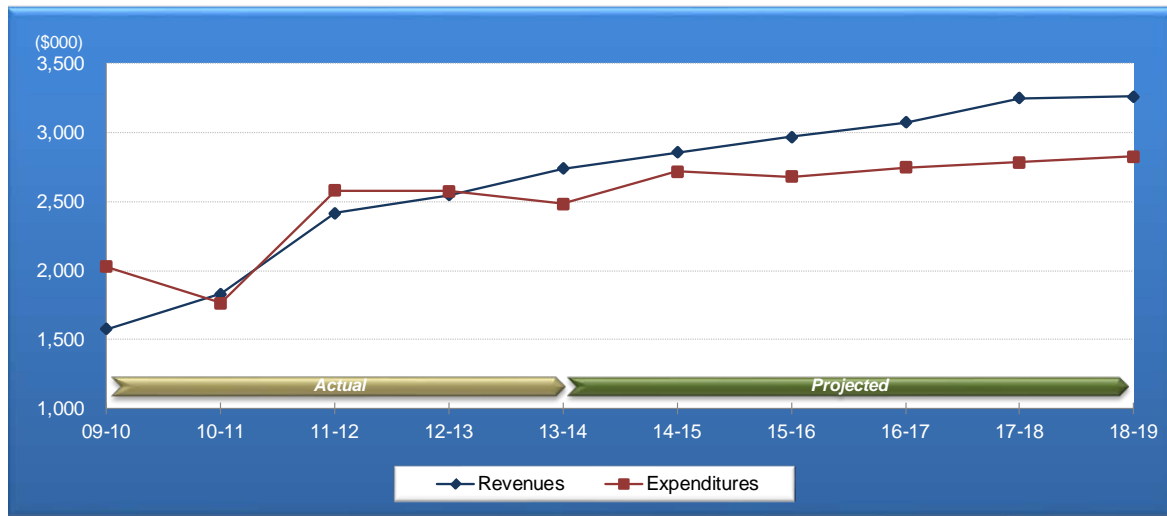
Solid Waste Enterprise Fund



	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected
Revenues (\$000)										
Charges for Services	14,958	15,157	14,866	14,447	14,400	14,796	14,408	14,433	14,462	14,490
Interest Income	67	47	35	27	18	25	26	21	0	0
Other Revenue Sources	251	212	26	(81)	43	166	166	215	307	307
Total Revenues	15,275	15,416	14,927	14,394	14,461	14,987	14,600	14,668	14,768	14,797
Expenditures (\$000)										
Personnel Costs	5,602	5,327	5,260	5,571	5,356	5,305	5,371	5,428	5,516	5,536
Materials and Supplies	93	172	170	219	180	216	220	223	227	232
Fees and Services	3,252	3,502	3,487	3,639	3,743	3,485	3,547	3,553	3,617	3,683
Travel and Training	3	10	40	4	3	24	24	25	25	25
Capital Outlay	2,046	1,149	1,243	312	2,285	3,081	2,395	2,307	2,374	2,374
Internal Service/Adjustments	3,035	2,569	2,931	2,992	3,359	3,726	3,699	3,699	3,710	3,746
Indirect Cost Allocations	0	350	807	866	953	996	988	988	991	1,001
Transfers	782	752	350	541	371	202	202	202	202	202
Total Expenditures	14,812	13,832	14,287	14,143	16,251	17,033	16,447	16,425	16,663	16,799
Net Operating Surplus/(Deficit)	463	1,584	640	251	(1,790)	(2,046)	(1,847)	(1,757)	(1,895)	(2,002)
Accrual Basis Adjustments					(88)					
Ending Fund Balance		6,847	7,078	7,424	5,547	3,500	1,653	(104)	(1,999)	(4,001)
Fund Balance as a % of Revenue		44%	47%	52%	38%	23%	11%	-1%	-14%	-27%

The forecast for the Solid Waste Enterprise Fund does not assume any rate modifications during the forecast period. Public Works management has been implementing efficiency measures to reduce the cost of operations and is now performing a rate analysis. A rate modification plan will be developed and presented to the City Council for consideration and possible implementation in 2015-16.

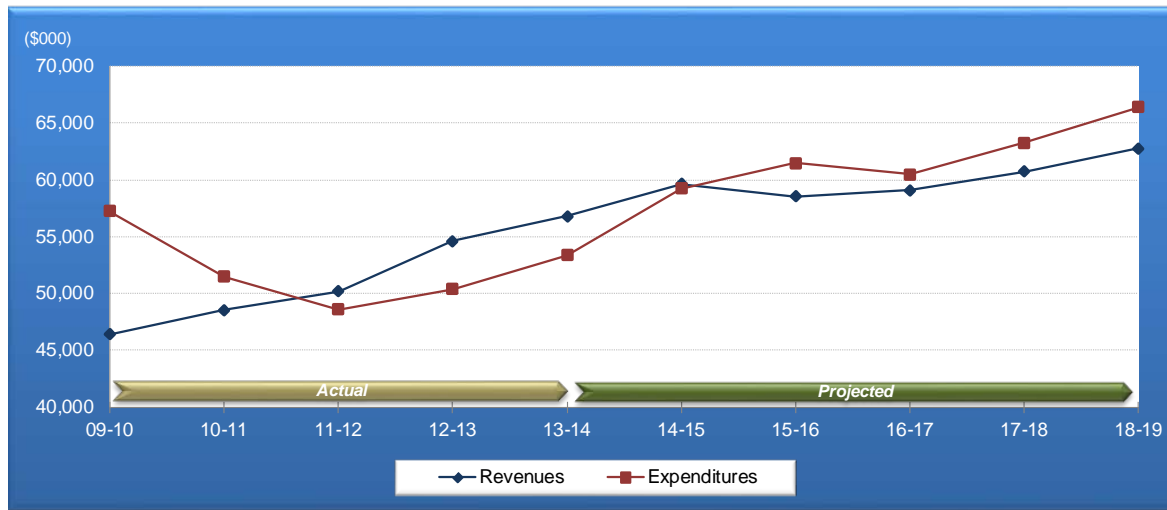
Golf Enterprise Fund



	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Projected	15/16 Projected	16/17 Projected	17/18 Projected	18/19 Projected
Revenues (\$000)										
Greens Fees	1,370	1,397	1,509	1,600	1,809	1,859	2,156	2,256	2,389	2,401
Pro Shop/Restaurant	204	165	-	-	-	-	-	-	-	-
Rental Charges	-	-	581	645	639	660	568	568	609	609
Range Fees	-	-	173	189	191	210	173	176	178	179
Interest Income	1	-	(2)	(1)	(1)	-	-	-	-	-
Other Revenue Sources	3	270	155	114	103	128	74	74	74	74
Total Revenues	1,578	1,833	2,417	2,548	2,741	2,856	2,971	3,074	3,250	3,263
Expenditures (\$000)										
Personnel Costs	1,115	727	852	689	692	712	709	717	725	734
Materials and Supplies	198	227	451	555	380	485	493	501	510	521
Fees and Services	448	455	923	937	969	1,054	968	899	919	941
Capital Outlay	8	111	137	121	87	179	224	224	224	224
Internal Service Charges	132	115	151	160	205	161	160	160	161	162
Indirect Cost Allocations	126	129	66	115	150	126	125	125	125	126
Transfers	-	-	-	-	-	-	-	122	122	122
Total Expenditures	2,027	1,765	2,580	2,578	2,484	2,717	2,680	2,748	2,785	2,830
Net Operating Surplus/(Deficit)	(449)	68	(163)	(30)	257	139	292	326	464	434
Accrual Basis Adjustments					(259)					
Ending Fund Balance		(325)	(473)	(697)	(700)	(560)	(268)	58	522	956
Fund Balance as a % of Revenue		-18%	-20%	-27%	-26%	-20%	-9%	2%	16%	29%

The Golf Enterprise Fund continues to generate increased revenues and is projected to perform slightly better than break-even in the remaining years of the forecast. Planned improvements to the irrigation system at the Rolling Hills Golf Course could further stabilize the fund.

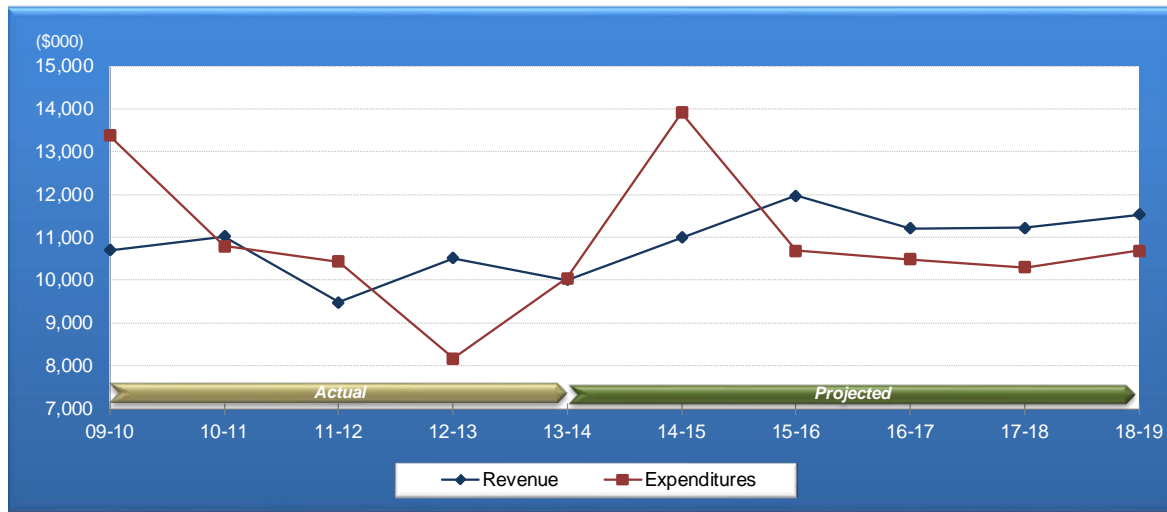
Transit Special Revenue Fund



	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Actual	13/14 Actual	14/15 Projected	15/16 Projected	16/17 Projected	17/18 Projected	18/19 Projected
Revenues (\$000)										
Transit Tax	27,891	29,012	30,172	30,087	33,539	35,837	36,810	37,079	38,396	39,676
LTAF II	184	-	475	476	477	476	476	476	476	476
ASU-Flash Transit	721	856	874	814	820	903	919	936	952	969
Interest Income	404	430	339	178	102	148	302	356	463	474
Light-Rail Fares	2,603	2,972	3,521	3,814	3,603	3,847	3,435	3,441	3,448	3,993
Out of Jurisdiction Svc Revenue	10,473	8,923	7,960	7,357	-	-	-	-	-	-
EVBOB Maint & Fuel (RPTA)	-	-	-	182	6,236	6,652	6,313	6,433	6,549	6,667
PTF Funding	2,241	2,003	2,270	2,166	2,145	2,849	2,906	2,945	3,007	3,086
Bus Fares	-	-	-	-	4,992	4,867	4,877	4,887	4,897	4,906
Miscellaneous Revenue	1,891	4,336	4,570	9,523	4,916	4,065	2,511	2,523	2,534	2,546
Total Revenues	46,408	48,533	50,180	54,596	56,831	59,643	58,549	59,075	60,723	62,793
Expenditures (\$000)										
Personnel Costs	4,027	2,869	2,681	2,911	3,032	2,282	2,297	2,350	2,344	2,366
Materials and Supplies	3,670	3,680	3,944	3,805	4,561	4,714	4,930	5,028	5,128	5,230
Fees and Services	42,892	38,643	35,391	37,407	36,268	40,183	40,806	41,794	44,068	49,630
Travel and Training	11	8	3	6	3	15	15	16	16	16
Capital Outlay	61	17	49	214	168	72	285	52	53	54
Debt Service	5,186	5,275	5,313	4,247	4,668	4,663	4,658	4,659	4,658	4,657
Internal Svc Charges/Adjmts	751	340	248	280	222	984	977	980	980	990
Contingency	-	-	-	-	-	108	110	112	178	188
Indirect Cost Allocations	656	633	617	560	698	810	804	800	800	810
New Transit Tax CIP Funding	-	-	367	959	3,760	5,390	6,601	4,721	5,030	2,478
Total Operating Expenditures	57,255	51,464	48,613	50,389	53,379	59,222	61,484	60,511	63,255	66,420
Net Operating Surplus/(Deficit)	(10,847)	(2,931)	1,567	4,207	3,451	422	(2,935)	(1,436)	(2,533)	(3,628)
Fund Balance Assigned for Debt Retirement					8,500	8,500	8,500	8,500	8,500	-
Unassigned Fund Balance	72,170	86,341	72,956	27,571	31,022	31,444	28,508	27,073	24,540	20,912
Unassigned Fund Balance as a % of Revenue					55%	53%	49%	46%	40%	33%

The Transit Fund receives the majority of its funding from the dedicated 0.5% Transit Tax. The fund has stabilized since the dip in sales tax revenue during the downturn in the economy. For 2014-15, transit tax collection improved by nearly \$2.5 million. The fund balance is healthy this year. Going forward, the forecast includes proposed new Orbit service and increased Streetcar O&M, which combine to create a structural deficit, which will need to be addressed as the new services are developed. No expenditures are included for construction of the streetcar project.

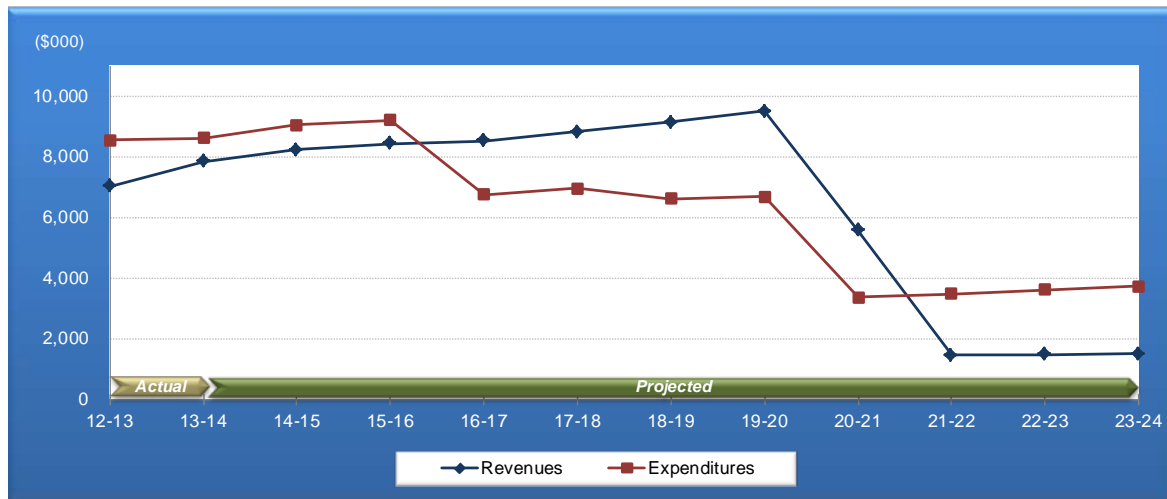
Transportation (HURF) Special Revenue Fund



	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected
Revenues (\$000)										
Highway User Revenue Tax	9,422	9,503	8,098	8,856	9,125	9,748	10,736	9,953	9,940	10,249
Miscellaneous	516	420	682	479	257	216	202	225	252	257
Maintenance of Effort Transfer	761	1,096	701	1,177	626	1,030	1,030	1,030	1,030	1,030
Lottery Transfer to Transit	-	-	-	-	-	-	-	-	-	-
Total Revenues	10,700	11,020	9,481	10,512	10,009	10,994	11,968	11,208	11,221	11,536
Expenditures (\$000)										
Personnel Costs	5,245	3,176	3,048	3,554	3,917	4,423	4,423	4,485	4,351	4,414
Materials and Supplies	465	367	424	457	580	770	784	796	810	827
Fees and Services	2,065	2,105	1,892	1,936	2,058	2,367	2,435	2,504	2,577	2,654
Travel and Training	17	7	10	12	8	19	20	20	20	21
Capital Outlay	549	236	107	77	227	1,161	806	518	362	576
Debt Service	2,770	2,770	1,550	500	-	-	-	-	-	-
CIP Pay as you go	-	-	-	-	1,427	3,277	350	300	300	300
Loan Repayment	310	310	3	3	3	5	5	5	5	5
Internal Service Charges	1,035	974	2,758	983	1,062	1,016	1,009	1,009	1,012	1,021
Indirect Cost Allocations	927	854	641	654	758	876	854	854	857	865
Total Expenditures	13,383	10,800	10,433	8,177	10,041	13,914	10,685	10,491	10,294	10,682
Net Operating Surplus/(Deficit)	(2,683)	220	(952)	2,335	(32)	(2,920)	1,283	717	927	854
Accrual Basis Adjustments	-									
Ending Fund Balance		4,521	6,747	8,120	8,088	5,168	6,450	7,167	8,094	8,948
Fund Balance as a % of Revenue					81%	47%	54%	64%	72%	78%

The Transportation Fund receives the large majority of its funding from State-shared Highway User Revenue Funds (HURF). The City uses the money to fund street improvements. After sweeping over \$6.8 million from the City's distribution from 2004 through 2014, the Legislature has partially restored the annual sweeps. For FY 2015-16 and forward, HURF tax collections are expected to improve slightly, thus remaining solvent.

Performing Arts Special Revenue Fund



	12/13 Actual	13/14 Actual	14/15 Projected	15/16 Projected	16/17 Projected	17/18 Projected	18/19 Projected	19/20 Projected	20/21 Projected	21/22 Projected	22/23 Projected	23/24 Projected
Revenues (\$000)												
Performing Arts Tax	6,237	6,922	7,251	7,448	7,502	7,769	8,028	8,283	4,245	-	-	-
Facility Revenue	772	905	958	989	1,019	1,049	1,081	1,113	1,147	1,181	1,216	1,253
Interest Income	15	8	10	-	-	6	19	93	172	267	260	234
Total Revenues	7,024	7,835	8,219	8,437	8,521	8,824	9,128	9,488	5,564	1,448	1,477	1,487
Expenditures (\$000)												
Personnel Costs	1,671	1,813	1,834	1,851	1,887	1,923	1,903	1,960	2,031	2,104	2,196	2,266
Materials and Supplies	108	112	112	114	115	117	120	122	125	128	130	133
Fees and Services	470	509	600	615	630	646	663	682	700	719	739	759
Capital Outlay	-	-	-	54	-	75	31	-	-	-	-	-
Transfers to CIP	117	-	100	182	211	291	-	-	-	-	-	-
Debt Service	5,925	5,928	5,927	5,922	3,428	3,429	3,428	3,434	-	-	-	-
Internal Service Charges	257	247	469	466	466	467	472	491	510	531	552	574
Total Expenditures	8,548	8,609	9,042	9,203	6,738	6,950	6,617	6,689	3,366	3,482	3,618	3,732
Net Operating Surplus/(Deficit)	(1,523)	(774)	(823)	(766)	1,783	1,875	2,511	2,799	2,197	(2,034)	(2,141)	(2,245)
Accrual Basis Adjustments		(6)										
Ending Fund Balance	1,461	694	(129)	(895)	888	2,762	5,273	8,073	10,270	8,236	6,095	3,850
Fund Balance as a % of Revenue		9%	-2%	-11%	10%	31%	58%	85%	185%	569%	413%	259%

Approximately 90% of the revenue in the Performing Arts Fund is derived from the City's 0.1% Arts Sales Tax. The rest is received from users of the Tempe Center for the Arts (TCA).

Revenues are not sufficient to cover current expenditures and the fund balance is expected to be depleted this fiscal year. A cumulative deficit of approximately \$0.9 million is expected to build through 2015-16, when half of the debt issued to build the TCA will be retired, resulting in a reduced annual debt service cost of \$2.5 million. At that point, the annual surplus will grow to approximately \$2.8 million by 2020 when the Arts Tax expires and the remaining debt is retired. The ongoing structural deficit after 2020 is projected to be approximately \$2 million.

Community Services management continues to explore opportunities for the Performing Arts Fund to ensure stability after 2020.

Forecast Growth Rates - February 19, 2015

Revenues	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
Taxable Sales Growth	9.0%	2.7%	0.7%	3.6%	3.3%
General Fund Sales Tax Revenue*	-8.0%	2.7%	0.7%	3.6%	3.3%
Total Sales Tax Rate	1.8%	1.8%	1.8%	1.8%	1.8%
General Fund	1.2%	1.2%	1.2%	1.2%	1.2%
Transit Fund	0.5%	0.5%	0.5%	0.5%	0.5%
Performing Arts Fund	0.1%	0.1%	0.1%	0.1%	0.1%
Primary Property Tax Levy Growth	5.0%	4.0%	4.0%	4.0%	4.0%
Bed Tax Taxable Sales Growth	6.7%	4.3%	4.5%	4.1%	3.9%
Bed Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%
City Population Growth	0.2%	0.2%	0.2%	0.2%	0.2%
State Population Growth	1.4%	1.5%	1.7%	1.8%	1.8%
State Shared Income Tax Growth	8.8%	-0.6%	-2.4%	0.9%	2.4%
State Shared Sales Tax Growth	2.6%	3.6%	-0.2%	5.6%	5.6%
State Vehicle License Tax Growth	-5.5%	1.8%	3.7%	3.5%	3.5%
Building and Trades Growth	-21.0%	-45.8%	1.6%	1.8%	2.1%
Cultural and Recreational Growth	-2.7%	2.0%	1.8%	2.0%	2.2%
Fees, Fines, Forfeitures Growth	-0.6%	2.0%	1.8%	2.0%	2.3%
Business Licenses Growth	-14.2%	-3.4%	1.6%	1.8%	2.1%
Expenditures	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
Salary Growth	1.1%	-0.7%	0.0%	0.3%	1.0%
FICA (% of payroll)	7.7%	7.7%	7.7%	7.7%	7.7%
State Retirement (% of payroll)	11.60%	11.47%	11.51%	11.48%	11.48%
Police Retirement (% of payroll)	35.12%	44.70%	45.51%	45.40%	45.33%
Fire Retirement (% of payroll)	38.79%	49.67%	50.56%	50.44%	50.37%
Health, Dental, Life Actives	7.5%	2.3%	8.2%	8.2%	8.2%
Health, Dental, Life Retirees	-34.2%	5.8%	1.4%	5.6%	-4.8%
Mediflex Growth	0.0%	0.0%	0.0%	0.0%	0.0%
Other Fringe Benefits Growth	0.0%	0.0%	0.0%	0.0%	0.0%
General Inflation	1.8%	1.8%	1.6%	1.8%	2.1%
Electricity Inflation	3.4%	3.3%	3.3%	3.3%	3.3%
Water Inflation	0.0%	5.0%	0.0%	3.0%	0.0%
Sewer Inflation	0.0%	5.0%	0.0%	2.0%	0.0%
Gasoline Inflation	-5.4%	-4.3%	-0.5%	1.7%	3.1%

* A .2% temporary sales tax expired 7/1/14.